Wilderness Motorhomes Ltd

Response to the Commerce Commission regarding THL Group Pty Ltd Proposed Acquisition of Apollo Tourism & Leisure Ltd - Statement of Issues [CCNZ-IMANAGE.FID315077]

The following represents our views on the issues outlined in the statement of issues.

49. Scope of the relevant markets

49.1 the extent to which there is substitution between motorhomes and campervans for renters

There is little overlap between the value proposition for a motorhome rental and a campervan rental and therefore little substitution. Motorhomes are larger (at least 6.7m long compared with campervans 5 - 6m long), have a full onboard bathroom (shower and toilet), have a full sized kitchen, and meet the requirements for freedom camping (certified self-contained). Therefore, they provide a higher level of comfort and functionality than a typical campervan. While some campervans meet these criteria, the vast majority do not, making them more economical and suited to the budget segment.

The only exception to the substitution situation occurs in the low season and when rental operators offer heavy discounting. In the low season (May - September), many motorhome rentals are priced at cost in order to stimulate demand and cash flow. Some renters who would otherwise choose a campervan in the shoulder or high seasons may choose a campervan because the price difference between campervans and motorhomes are small.

49.2 the ease (or otherwise) with which traditional campervan rental operators could switch to start offering motorhomes for rent.

We cannot think of any campervan operators that have switched to offering mostly motorhomes for rent in the past ten years. We believe this is because

1. Motorhomes are typically larger and more highly specced than campervans (see point 49.1) and therefore the capital required for motorhome rentals is considerably higher than for campervan rentals - circa twice the amount.
2. The level of maintenance is also much higher for a motorhome rental than a campervan rental, so motorhome rental operators need to carry more parts and have a more highly skilled workforce.
3. The switch in products would require a switch in marketing as motorhomes appeal to a different market segment.

Quality and size of motorhomes

50 - 55. We concur with the Commission's views.

Peer-to-peer motorhome listings and traditional rental operators

56 - 59. We concur with the Commission's views on the impact of the peer-to-peer segment on traditional motorhome rental operators. We elaborate further on the potential for growth in the peer-to-peer sector under point 90.

Competition in the medium term (after the COVID-19 pandemic)

75 - 82. We concur with the Commission's views.

83. We cannot comment on the potential of the merged entity to foreclose rival motorhome rental operators from access to wholesalers, travel agents and/or web consolidators as we do not participate in these distribution channels.

84 - 87. We concur with the Commission's views.

Constraint from motorhomes rented on peer-to-peer platforms

90. We would caution against drawing the conclusion that substantial growth in the New Zealand peer-to-peer sector is inevitable based on the global expansion of these platforms. As far as we are aware, the US is the biggest peer-to-peer RV rental market. However, RV ownership rates in the US are much higher than in NZ. The recently released 2021 GoRVing RV Owner Demographic Profile Study puts RV ownership at 9% of households. We estimate that the rate is more like 5% in NZ. Therefore, in our view, the potential growth of the peer-to-peer market isn't as great as THL have suggested.

91 - 95. We concur with the Commission's views.

Countervailing power of wholesalers, travel agents and web consolidators

98 - 99. We cannot comment on this as we do not participate in these distribution channels.

Constraints from outside the market

100 - 102. We concur with the Commission's views.

103. We believe that an increase in motorhome rental prices or a reduction in the quality of motorhome services is unlikely to have a material impact on the number of international tourists who choose to travel to New Zealand and opt to travel by motorhome. We base this on our experience in the three years before the borders closed. During this period, there was a strong

increase in NZ visitor numbers and motorhome rentals grew (by our estimation) at a similar rate to international visitor growth. The factor that has the biggest impact on the number of travellers who choose New Zealand is the country's desirability as an international destination. However, we believe that rental prices have the potential to cap the number of visitors who opt to travel by motorhome. Some visitors do compare the price of a motorhome rental with the cost of car rental plus hotel stays. If the motorhome rental rates get too far out of line with car/hotel rates then we expect a decline in demand.

We believe that motorhome rental prices are likely to recover to pre-Covid levels within the first one to two years after travel restrictions are lifted. Our current pricing for the summer 2022/23 is similar to the same period 2019/20, the last summer before the borders closed. That is because the surplus supply situation will be resolved quickly once demand returns and rental operators will be unable to increase supply as they had initially planned when they defleeted. The worldwide shortage of motorhomes will not be resolved quickly and this will significantly restrain expansion of existing fleets to meet growing demand.

[exclude highlighted section below from public version]

[redacted]

Constraint from campervan rental operators

105 - 106. We concur that campervan rental operators would post only a weak constraint. Refer to point 49.1 above.

Competition concern: coordinated effects

109. We disagree with THL's view that the proposed acquisition will not result in the removal of a particularly aggressive or destabilising competitor. In our view, Apollo is a destabilising competitor. Apollo's pricing strategy is completely at odds with THL and other traditional motorhome rental operators. Often when THL and other operators lift prices (as demand strengthens), Apollo will reduce prices or vice versa they will set their prices much higher than others at other times.

[exclude highlighted section below from public version]

[redacted]

[redacted]

Mary Hamilton
Director
24 March 2022